

United States Government

Department of Energy

memorandum

DATE: May 25, 1999

REPLY TO:
ATTN OF: IG-36 (A98CH009)

REPORT NUMBER: ER-FS-99-01

SUBJECT: Results of Audit Procedures Performed at Chicago Operations Office During the Audit of the Department's Consolidated Fiscal Year 1998 Financial Statements

TO: Robert L. San Martin, Manager, Chicago Operations Office

INTRODUCTION AND OBJECTIVE

The Government Management Reform Act of 1994 requires that audited financial statements covering all accounts and associated activities of the Department be submitted annually to the Office of Management and Budget. A Departmentwide audit of the consolidated Fiscal Year 1998 financial statements was conducted by examining internal controls, assessing compliance with laws and regulations, evaluating accounting transaction cycles, and testing selected account balances at various Department facilities.

The objective of the Departmentwide audit was to determine whether the Department's consolidated financial statements presented fairly, in all material respects, the financial position of the Department as of September 30, 1998 and 1997, and its consolidated net cost, changes in net position, budgetary resources, financing activities, and custodial activities for the fiscal years then ended in conformity with Federal accounting standards. Departmentwide issues are addressed in Audit Report No. IG-FS-99-01, issued February 25, 1999.

The purpose of this report is to inform Chicago Operations Office management concerning matters that came to the attention of the Office of Inspector General during the audit at the Chicago Operations Office and two of its integrated contractors: Argonne National Laboratory (Argonne) and Brookhaven National Laboratory (Brookhaven). Chicago Operations Office is responsible for the account balances entered into the Department's core accounting system.

SCOPE AND METHODOLOGY

The audit was conducted from June 1998 through January 1999 at the Chicago Operations Office, Argonne, and Brookhaven. Specifically, we examined internal controls, assessed compliance with applicable laws and regulations, and selectively tested account balances reported to Departmental Headquarters as necessary to achieve the Departmentwide audit objective.

Audit work was performed in accordance with generally accepted Government auditing standards for financial audits. Since we relied on computer-generated data, we evaluated the general control environment of certain financial systems and evaluated the reliability of the data on a test basis.

Because the audit was limited, it would not necessarily disclose all the internal control weaknesses that may have existed. Furthermore, because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. The issues addressed in this report represent our observations of activities through the end of fieldwork on January 5, 1999. Projections of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the effectiveness of the design and operation of policies and procedures may deteriorate.

In addition to the audit work conducted by the Office of Inspector General, an independent public accounting firm reviewed Disbursements and Financing.

The Office of Inspector General considered all findings generated as a result of these reviews when preparing the audit report on the Department's consolidated Fiscal Year 1998 financial statements (Audit Report No. IG-FS-99-01) and the management report referred to in that report.

Chicago Operations Office management waived an exit conference.

OBSERVATIONS

No exceptions, material at the operations office or Departmental level, were noted as a result of applying the specified audit procedures for Chicago and the two integrated contractors.

Since no recommendations are being made, a formal response is not required. We appreciate the cooperation of your staff throughout the audit.

(Signed)
Terry L. Brendlinger, Manager
Eastern Regional Audit Office
Office of Inspector General

cc: Director, Audit Liaison Division

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